

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C.**

In the Matter)	
)	
Federal-State Joint Board on)	CC Docket No. 96-45
Universal Service)	

To: The Joint Board

COMMENTS OF VERIZON WIRELESS

Verizon Wireless hereby submits its comments on the Federal-State Joint Board’s review of the definition of “universal service” in the above-captioned docket.¹ The Board should preserve the current definition of universal service. Expanding the definition would impose significant, unjustified additional costs on carriers and their customers to pay for services that should not be part of universal service.

I. THE BOARD SHOULD NOT EXPAND THE LIST OF CORE USE SERVICES

In the Telecommunications Act of 1996, Congress established four statutory criteria for determining which telecommunications services and functionalities should be supported by the universal service fund. Under Section 254(c)(1), the Federal-State Joint Board and the Commission are to consider the extent to which the services in question (i) are essential to education, public health, or public safety, (ii) have, through the operation of market choices by customers, been subscribed to by a substantial majority of

¹ Federal-State Joint Board on Universal Service Seeks Comment on Review of the Definition of Universal Service, *Public Notice*, CC Docket No. 96-45, 2001 FCC LEXIS 4522 (rel. Aug. 21, 2001) (“*Public Notice*”).

residential customers, (iii) are being deployed in public telecommunications networks by telecommunications carriers, and (iv) are consistent with the public interest, convenience, and necessity.² In its 1997 *First Report and Order*, after fully considering these elements, the Commission designated nine core services as eligible for universal service support.³ The Commission specifically rejected support for (i) increased bandwidth for voice grade access, (ii) high-speed data services, and (iii) interexchange and toll services.

The Communications Act obligates the Joint Board and Commission to reexamine periodically whether additional services should be added to the list of core services.⁴ With the *Public Notice*, the Joint Board now begins this reassessment. It asks whether the three services that the Commission specifically rejected in 1997 -- increased bandwidth for voice grade access, advanced and high-speed data services, and interstate and intrastate toll services (as well as expanded area services) – should now be targeted for high-cost area support.⁵

Verizon Wireless believes that the Commission's exclusion of these services from the core list in the *First Report and Order* was sound. Nothing has transpired since the *First Report and Order* to alter the Section 254(c)(1) analysis for any of those services. The Joint Board should leave the existing list of supported services unchanged.

² 47 U.S.C. § 254(c)(1). While a service does not have to satisfy all four parts of this test to be included on this list of “core” services, the Joint Board and Commission must at least weigh each factor in their analysis.

³ Federal-State Joint Board on Universal Service, *Report and Order*, CC Docket 96-45, 12 FCC Rcd 8776, 8807-25 (1997) (“*First Report and Order*”).

⁴ See 47 U.S.C. §254(c)(1).

⁵ *Public Notice* at 3-4.

The *Public Notice* acknowledges that the goal of expanding USF support to pay for greater bandwidth for voice grade access would be to increase access to the Internet, not to improve the quality of voice grade telephone service.⁶ When the Commission declined to adopt support for a greater bandwidth standard for voice grade access in 1997, it pointed out that a substantial majority of residential customers at that time did not subscribe to Internet access through such higher-quality links. Today, a substantial majority of customers still does not do so, nor is there evidence that current data speeds are preventing consumers from gaining access to the Internet. In fact, a decision by the Joint Board to add this service to the list of core services could actually impede residential Internet access. Establishing a new bandwidth standard would impose new costs, particularly for rural carriers, which would raise the price of both basic telephone service and dial-up Internet access.

With respect to advanced and high-speed services, the Commission in *the First Report and Order* concluded that such high-speed data capability is not an appropriate goal of universal service policy. According to the Commission, the record did not

⁶ *Public Notice* at 3. In its *Fourth Order on Reconsideration*, the Commission defined “voice grade access” to include a minimum bandwidth of 300 Hertz to 3,000 Hertz. *See Federal-State Joint Board on Universal Service*, 13 FCC Rcd 5318, 5328-29 (¶ 16) (1997). The Commission concluded that this was consistent with industry standards and that a greater bandwidth requirement could render a significant proportion of otherwise eligible carriers unable to qualify for universal service support.

In December 1999, the Common Carrier Bureau sought comment on requests from several petitioners to increase this bandwidth requirement from 200 to 3,500 Hz, based on concerns that the existing standard does not ensure that subscribers using 28.8 kbps modems for Internet access in rural areas can achieve data transmission speeds reasonably comparable to those achieved by subscribers using the same modem in non-rural areas. Common Carrier Bureau Seeks Comment on Requests to Redefine “Voice Grade Access” for Purposes of Federal Universal Service Support, *Public Notice*, CC Docket No. 96-45, DA 99-2985 (rel. Dec. 22, 1999). The Commission here seeks to update the record on this issue.

demonstrate that those services were necessary for education, public health, or safety purposes, or that a substantial majority of residential customers subscribed to those services.⁷

The Joint Board should continue to exclude advanced and high-speed data services from the list of core services. There is no reason to believe that, just four years later, advanced and high-speed services have become necessary for education, public health, or public safety purposes. In addition, while subscribership for advanced and high speed services such as DSL has grown significantly, these services still do not satisfy the statutory criterion of “being subscribed to by a substantial majority of residential customers.”⁸ Today, out of approximately 114 million total residential access lines and over 44 million single-line business access lines, only 5.2 million residential and business customers subscribe to high-speed data services.⁹ Not only are the statutory criteria for including these services not met, the Commission is already exploring a range of regulatory approaches to accelerating the deployment of advanced telecommunications services in its separate Section 706 docket,¹⁰ and the Board should not consider a universal service approach to these issues until the Commission has concluded its efforts in that proceeding.

⁷ *First Report and Order*, 12 FCC Rcd at 8811-12.

⁸ 47 U.S.C. § 254(c)(1)(B).

⁹ See “Federal Communications Commission Releases Data on High-Speed Services for Internet Access,” *News*, 2001 FCC LEXIS 4285 (rel. Aug. 9, 2001).

¹⁰ Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, *Third Notice of Inquiry*, CC Docket No. 98-146, at 11 (rel. August 10, 2001).

The Commission in the *First Report and Order* rightly concluded that interexchange and toll services should not be added to the list of core supported services.¹¹ A fresh analysis today should yield the same conclusion. Vibrant competition exists in these markets, which include numerous service providers. A decision to target support to the subset of interexchange and toll carriers that can obtain ETC status would unnecessarily and unfairly skew the competitive balance of this marketplace.

II. SIGNIFICANT EXPANSION OF THE USF WOULD DRIVE UP COSTS TO THE PUBLIC AND PARTICULARLY BURDEN CMRS PROVIDERS

Expansion of the list of core USF services would inevitably cause substantial growth in the USF. Carriers' contribution burdens – already steadily growing and amounting this year to more than \$6 billion -- would be increased, which would in turn increase the price of telecommunications service for most consumers.¹² There is no reason for the Commission and Joint Board not to be as concerned today with this factor as the Commission was in 1997, when it stated that “supporting an overly expansive definition of core services could adversely affect all consumers by increasing the expense of the universal service program and, thus, increasing the basic cost of telecommunications services for all.”¹³ The Board should avoid this outcome and instead

¹¹ *First Report and Order*, 12 FCC Rcd at 8819.

¹² There is already uncertainty regarding future growth of the USF, given the remand of the universal service and CALLS orders and the potential effects of the universal service portion of the rural carriers' “MAG” plan. The Commission should not initiate further expansion of the USF in this unstable environment. See *Texas Office of Public Utility Counsel v. FCC*, 2001 U.S. App. LEXIS 19974 (5th Cir., rel. Sep. 10, 2001); *Qwest Corp. v. FCC*, 258 F.3d 1191 (10th Cir. 2001); “FCC Adopts Order To Reform Interstate Access Charge System For Rural Carriers,” *Public Notice* (rel. Oct. 11, 2001).

¹³ *First Report and Order*, 12 FCC Rcd at 8811-12.

preserve a limited definition of universal service that ensures consumer access to basic services while maintaining the USF at a reasonable size

Support for the services cited by the Joint Board in the *Public Notice* would have a dramatic impact on the size of the USF. The Commission has reported that consumers in rural areas have not enjoyed timely access to advanced and high-speed services;¹⁴ if these services were added to the list of core services, the Commission would likely seek to reduce this disparity through the USF. High-speed data services are very expensive,¹⁵ however, and the resulting USF subsidies for those services in rural areas could be enormous. In addition, according to the National Exchange Carrier Association, more than 3 million rural lines will lack advanced service capability in 2002, with the cost of the necessary upgrades reaching almost \$11 billion.¹⁶ Support for such infrastructure development would drastically expand the USF.

The network upgrade required to achieve increased bandwidth for voice grade access would also be exorbitantly expensive, as was pointed out by several commenters in the Common Carrier Bureau's proceeding in early 2000.¹⁷ Were these investments

¹⁴ Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, *Second Report*, CC Docket No. 98-146, 15 FCC Rcd 20913, 20996-97 (2000) ("*Second Report on Advanced Services*").

¹⁵ For example, according to the *Second Report on Advanced Services*, the prices for low-end digital subscriber line service typically range from \$39.95 to \$49.95 per month. *Id.* at 20931.

¹⁶ See NECA Comments, CC Docket No. 98-146 (Sep. 24, 2001).

¹⁷ See Comments of AT&T Corp., CC Docket No. 96-45, at 4 (Jan. 19, 2000); Comments of Bell Atlantic, CC Docket No. 96-45, at 3 (Jan. 19, 2000).

subsidized by the USF – as some commenters in that proceeding proposed¹⁸ -- such action would greatly increase the contribution burden imposed on all telecommunications carriers.

The increased USF contribution burden resulting from these changes would be particularly burdensome and unfair to CMRS providers and their subscribers. Few CMRS providers have obtained ETC status, primarily due to regulatory obstacles, and the CMRS industry is likely to receive only a minute fraction of the available USF funding over the next several years. At the same time, Verizon Wireless and other wireless carriers contributed \$400 million into the USF in 2000,¹⁹ and this contribution burden for wireless carriers is expected to rise to \$700 million by 2002.²⁰ Wireless contributions are expected to increase even more over the next decade and could rise far beyond even those projected levels if the Commission modifies its contribution scheme in a way that shifts much more of this burden to the wireless industry, as it is now considering.²¹ These trends threaten to undermine the steady decreases in the prices consumers pay for wireless services and the ensuing growth of wireless competition. Adoption of new

¹⁸ See Comments of the Western Alliance, CC Docket No. 96-45, at 7 (Jan. 19, 2000).

¹⁹ *Ex Parte* Letter of Verizon Communications, Attachment at 8 (Oct. 11, 2001) (“Verizon *Ex Parte*”).

²⁰ Verizon *Ex Parte*, Attachment at 8.

²¹ The Commission is considering a shift from a contribution mechanism based on carriers’ end-user telecommunications revenues to one that would impose a flat, per-line or per-subscriber charge on carriers. Federal-State Joint Board on Universal Service, *Notice of Proposed Rulemaking*, FCC 01-145 (rel. May 8, 2001). This change would radically increase the USF contribution burden imposed on the wireless industry. See *Ex Parte* Notification of Cingular Wireless, CTIA, and Verizon Wireless, Attachment at 8 (Oct. 24, 2001).

elements in the definition of what comprises universal service would exacerbate these trends and further undermine Commission goals.

CONCLUSION

For the foregoing reasons, Verizon Wireless urges the Board to leave intact the current definition of universal service and not add any new services.

Respectfully submitted,

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